

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 2802
ANSWERED ON FRIDAY, THE 28TH DECEMBER, 2018
[PAUSHA 7, 1940 (SAKA)]**

INVESTMENTS IN STARTUPS

QUESTION

**2802. SHRI RAGHAV LAKHANPAL:
SHRI KALIKESH N. SINGH DEO:**

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कॉर्पोरेट कार्य मंत्री

- (a) whether the Government has received any complaints regarding irregularities in the investments in startups and conducted any investigation therein and if so, the details thereof;**
- (b) whether the Government has framed any rules and regulations regarding angel investments in startups and if so, the details thereof;**
- (c) the details of all the startups with decline in share value post first round of funding;**
- (d) whether the Government has any specific parameters to predict the valuation of startups in the country and if so, details of the parameters considered and the method used for valuation of startups; and**
- (e) whether the process of valuation of startups affects the ease of doing business index of the nation and if so, the details thereof?**

ANSWER

**MINISTER OF STATE FOR LAW AND
JUSTICE AND CORPORATE AFFAIRS**

(SHRI P.P.CHAUDHARY)

विधि और न्याय एवं कॉर्पोरेट कार्य मंत्रालय में राज्यमंत्री

(श्री पी.पी.चौधरी)

- (a) Startup Company is not defined under the Companies Act, 2013. However in clause 40 of the Section 2 in chapter I of the Companies Act, 2013, under the definition of Financial Statement and under Explanation, it is mentioned that the term 'start-up' or "startup company" means a private company incorporated under the Companies Act, 2013 or the Companies Act, 1956 and recognised as start-up in accordance with the notification issued by the Department of Industrial Policy and Promotion, Ministry of**

Commerce and Industry. As per the provisions of the Companies Act, 2013, there is well defined mechanism to investigate a company. The company is taken up for investigation if any irregularity or fraud is reported. There is no separate mechanism for startup companies in the Companies Act. As per the information provided by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Start-up India Hub Team receives and resolves over 1000 queries per week. However the details of the complaints received are not compiled.

- (b) Department of Industrial Policy and Promotion, Ministry of Commerce and Industry issued a notification on April 11, 2018 to provide a mechanism through which exemption could be extended to startups that have raised angel investments.**
- (c) Out of 176 start-ups covered under Fund of Funds for Startups, there are around 9 Start-ups with decline in share value post first round of funding.**
- (d) No specific parameters to predict the valuation of startups in the country have been put in place by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.**
- (e) No Madam.**
